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Investigating the Effect of Progress Cues on Willingness to Donate: An Investigation of Crowdfunding Sites

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ABSTRACT

Crowdfunding has blossomed as a fundraising alternative because securing financing from venture capitalists, angel investors, or other financial institutions can be a great challenge for entrepreneurs trying to fund new projects. Crowdfunding websites such as Kickstarter are increasingly popular, allowing new ventures to raise hundreds of millions of dollars by launching campaigns. Entrepreneurs can create a campaign page at a crowdfunding site, where their projects compete with other ventures to attract potential backers. However, according to a recent study, only 44% of campaigns reach their goal overall.

As crowdfunding has developed into a viable option for investors and project developers alike, research on this kind of fundraising is beginning to emerge in a number of different areas. Not surprisingly, much of this work focuses on what motivates and deters project creators and investors to participate in crowdfunding. Despite the crucial role a crowdfunding campaign page can play in successful information sharing/communication with potential backers, however, there has been no theory-driven study to test/validate an effective campaign page that may attract the attention of potential backers and persuade them to click links in the page to further navigate the campaign site. Without this scientific justification, campaign providers may design pages based solely on their intuition and experiences.

The front page of a typical crowdfunding campaign may consist of various design components including an image, a video clip, project title, project description, and progress cues. Out of these design factors, this study focuses on the progress bar, a progress cue that visualizes detailed task (or project) progress information and has been known to significantly affect individuals' cognitive and affective appraisals and behaviors. Despite of its broader applicability to various contexts, however, previous studies mostly adopted a simple rectangular progress bar and tested its effect mainly in online waiting contexts such as software download and database queries. To our knowledge, there is no theory-based empirical study examining how different types of progress cues, such as a progress bar and information regarding amount of money pledged, days passed in a campaign, days left in a

campaign, and number of backers, influence crowdfunding campaign backers' perceptions and behaviors.

By manipulating progress cues like progress bar color and motion, and presentation of extra progress information, this study investigates how such cues affect potential backers' perceptions of attention, affect, trust, and information diagnosticity, and trigger their intention to click campaign page links. To examine the nomological network, this study develops a research model by integrating the stimulus-organism-response (S-O-R) framework, motion effect theory, color theory, and literature regarding information diagnosticity. Based on the theories, we hypothesize that:

H1: A crowdfunding campaign page with a moving progress bar will draw more focused attention (H1a) and affect (H1b) than one with a static progress bar.

H2: A crowdfunding campaign page with a blue-colored progress bar will draw more trust (H2a) and less affect (H2b) than one with a red-colored progress bar.

H3: A crowdfunding campaign page with extra campaign progress information will draw more attention (H3a), elicit more trust (H3b), and lead to stronger perceptions of information diagnosticity (H3c) than a campaign page without extra campaign progress information.

H4: Potential backers are more inclined to click links to further navigate a campaign page when progress cues lead to more attention (H4a), more trust (H4b) and affect (H4c), and higher information diagnosticity (H4d).

H5: Intention to click links on campaign pages is positively associated with the likelihood of backing a campaign.

A controlled experimental study is carried out to examine the effects of a progress bar and extra progress information, and to test the nomological network between those variables and likelihood to back the campaign. A simulated online crowdfunding site is designed to mimic commercial crowdfunding sites. We recruit 300 subjects from an undergraduate b-school at a large U.S. university. Instrument items are developed based on our literature review. MANOVA and subsequent ANOVA tests and SEM analysis are conducted. In so doing, we expect to provide theoretical foundation for researchers and insights for practitioners on designing effective progress cues for crowdfunding sites.